

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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October 29, 2001

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

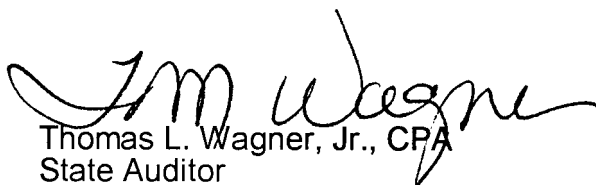
Re: AC# 3-LCS-J8 – GCI Village Green, Inc., d/b/a Lake City-Scranton
Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**GCI VILLAGE GREEN, INC., D/B/A
LAKE CITY-SCRANTON HEALTHCARE CENTER
SCRANTON, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-LCS-J8**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 31, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Village Green, Inc., d/b/a Lake City-Scranton Healthcare Center, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of GCI Village Green, Inc., d/b/a Lake City-Scranton Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

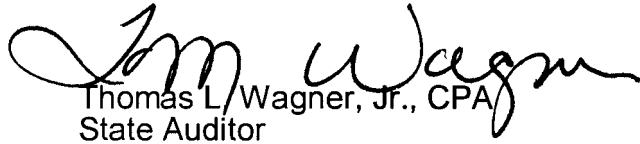
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Village Green, Inc., d/b/a Lake City-Scranton Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Village Green, Inc., d/b/a Lake City-Scranton Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 31, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

LAKE CITY-SCRANTON HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-LCS-J8

	10/01/99- <u>09/30/00</u>
Interim reimbursement rate (1)	\$87.29
Adjusted reimbursement rate	<u>82.42</u>
Decrease in reimbursement rate	\$ <u><u>4.87</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

LAKE CITY-SCRANTON HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-LCS-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$31.88	\$47.61	
Dietary		8.75	10.24	
Laundry/Housekeeping/Maint.		<u>7.28</u>	<u>8.89</u>	
Subtotal	\$ <u>4.67</u>	47.91	66.74	\$47.91
Administration & Med. Rec.	\$ <u>1.14</u>	<u>10.25</u>	<u>11.39</u>	<u>10.25</u>
Subtotal		58.16	<u>\$78.13</u>	58.16
<u>Costs Not Subject to Standards:</u>				
Utilities		2.53		2.53
Special Services		5.20		5.20
Medical Supplies & Oxygen		2.77		2.77
Taxes and Insurance		1.05		1.05
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$69.71</u>		69.71
Inflation Factor (3.00%)				2.09
Cost of Capital				7.49
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.14
Cost Incentive				4.67
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.06)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.63</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$82.42</u>

LAKE CITY-SCRANTON HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-LCS-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,004,827	\$ 613 (5) 5,334 (8) 31 (8)	\$ 8,505 (2) 487 (2) 662 (5) 2,518 (7) 75 (7)	\$ 998,558
Dietary	272,825	1,542 (8)	38 (6) 357 (7)	273,972
Laundry	26,625	-	-	26,625
Housekeeping	133,020	-	-	133,020
Maintenance	84,631	-	61 (2) 613 (5) 64 (7) 15,563 (8)	68,330
Administration & Medical Records	479,163	1,513 (2) 4,767 (2) 427 (8)	377 (7) 49 (7) 164,233 (8)	321,211
Utilities	80,478	-	908 (6) 181 (8)	79,389
Special Services	185,679	8,840 (5)	37 (7) 10,731 (9) 20,854 (10)	162,897
Medical Supplies & Oxygen	117,825	-	3,633 (3) 9,143 (4) 8,178 (5) 2,354 (6) 7,719 (9)	86,798

LAKE CITY-SCRANTON HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1998
 AC# 3-LCS-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	39,425	-	6,465 (8)	32,960
Legal Fees	11,766	-	11,766 (8)	-
Cost of Capital	252,613	1,567 (11)	3,467 (1)	234,508
			<u>16,205 (8)</u>	
Subtotal	2,688,877	24,634	295,243	2,418,268
Ancillary	157,848	-	-	157,848
Non-Allowable	857,093	3,467 (1) 2,773 (2) 3,633 (3) 9,143 (4) 908 (6) 3,477 (7) 207,079 (8) 18,450 (9) <u>20,854 (10)</u>	1,567 (11)	1,125,310
Total Operating Expenses	<u>\$3,703,818</u>	<u>\$294,418</u>	<u>\$296,810</u>	<u>\$3,701,426</u>
Total Patient Days	<u>31,325</u>	<u>-</u>	<u>-</u>	<u>31,325</u>

TOTAL BEDS 88

LAKE CITY-SCRANTON HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-LCS-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 2,072	
	Other Equity	17,614	
	Nonallowable	3,467	
	Accumulated Depreciation		\$ 19,686
	Cost of Capital		3,467
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Administration	1,513	
	Medical Records	4,767	
	Nonallowable	2,773	
	Nursing		8,505
	Restorative		487
	Maintenance		61
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation		
	HIM-15-1, Section 2304		
	DH&HS Expense Crosswalk		
3	Nonallowable	3,633	
	Medical Supplies		3,633
	To disallow expense due to lack of documentation		
	HIM-15-1, Section 2304		
4	Nonallowable	9,143	
	Medical Supplies		9,143
	To disallow expense due to lack of documentation		
	HIM-15-1, Section 2304		
5	Restorative	613	
	Special Services	8,840	
	Nursing		662
	Maintenance		613
	Medical Supplies		8,178
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		

LAKE CITY-SCRANTON HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-LCS-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings	2,392	
	Nonallowable	908	
	Dietary		38
	Utilities		908
	Medical Supplies		2,354
	To properly charge expense applicable to the prior period and disallow cable TV expense		
	HIM-15-1, Sections 2106.1 and 2302.1		
7	Nonallowable	3,477	
	Nursing		2,518
	Restorative		75
	Dietary		357
	Maintenance		64
	Administration		377
	Medical Records		49
	Special Services		37
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
8	Nursing	5,334	
	Restorative	31	
	Dietary	1,542	
	Medical Records	427	
	Nonallowable	207,079	
	Maintenance		15,563
	Administration		164,233
	Legal		11,766
	Utilities		181
	Taxes and Insurance		6,465
	Cost of Capital		16,205
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

LAKE CITY-SCRANTON HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-LCS-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	18,450	
	Medical Supplies		7,719
	Special Services		10,731
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Nonallowable	20,854	
	Special Services		20,854
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
11	Cost of Capital	1,567	
	Nonallowable		1,567
	To adjust capital return State Plan, Attachment 4.19D		
		\$316,496	\$316,496
	TOTAL ADJUSTMENTS		

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

LAKE CITY-SCRANTON HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-LCS-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>88</u>
Deemed Asset Value	3,091,440
Improvements Since 1981	305,977
Accumulated Depreciation at 9/30/98	<u>(831,904)</u>
Deemed Depreciated Value	2,565,513
Market Rate of Return	<u>.063</u>
Total Annual Return	161,627
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	161,627
Depreciation Expense	72,658
Amortization Expense	253
Capital Related Income Offsets	(30)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	234,508
Total Patient Days (Actual)	<u>31,325</u>
Cost of Capital Per Diem	\$ <u><u>7.49</u></u>

LAKE CITY-SCRANTON HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-LCS-J8

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.64
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.63</u>
Reimbursable Cost of Capital Per Diem	\$7.49
Cost of Capital Per Diem	<u>7.49</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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